



General Assembly

January Session, 2015

Amendment

LCO No. 7814



Offered by:
SEN. CRISCO, 17th Dist.

To: Subst. Senate Bill No. 853

File No. 703

Cal. No. 92

"AN ACT CONCERNING ACCELERATED BENEFITS OF LIFE INSURANCE POLICIES."

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

3 "Section 1. Section 38a-457 of the general statutes is repealed and the
4 following is substituted in lieu thereof (*Effective October 1, 2015*):

5 (a) As used in this section:

6 (1) "Accelerated benefits" means benefits payable under a life
7 insurance policy sold in this state: (A) During the lifetime of the
8 insured, in a lump sum or in periodic payments, as specified in the
9 policy, (B) upon the occurrence of a qualifying event, as defined in the
10 policy, and certified by a physician or an advanced practice registered
11 nurse who is licensed under the laws of a state or territory of the
12 United States, or such other foreign or domestic jurisdiction as the
13 Insurance Commissioner may approve, and (C) [which] that reduce
14 the death benefits otherwise payable under the life insurance policy.

15 (2) "Insurance policy" or "policy" means an insurance policy or
16 certificate or rider or endorsement thereto.

17 (3) "Qualifying event" means (A) a medically determinable
18 condition [suffered by the insured] that can be expected to result in
19 death in a relatively short period of time, such as twelve months and
20 may include, but is not limited to, coronary artery disease, myocardial
21 infarction, stroke, kidney failure or liver disease, (B) a [medical]
22 medically determinable condition that would, in the absence of
23 extensive or extraordinary medical treatment, result in death in a
24 relatively short period of time, such as twelve months, [or] (C) a
25 medically determinable condition [suffered by the insured, which has
26 resulted in the insured being considered a chronically ill individual for
27 the purposes of Section 101(g) of the Internal Revenue Code of 1986, or
28 any subsequent corresponding internal revenue code of the United
29 States, as amended from time to time, and which] that has caused the
30 insured to be confined for at least six months (i) in such insured's place
31 of residence under the supervision of a physician or an advanced
32 practice registered nurse, or (ii) in an institution, as defined in the
33 policy, that provides necessary care or treatment of an injury, illness or
34 loss of functional capacity, and for which it has been medically
35 determined that such insured is expected to remain confined in such
36 place of residence or institution until death, (D) a medically
37 determinable condition that has resulted in (i) the insured being
38 permanently unable to perform two activities of daily living without
39 substantial assistance from another individual, or (ii) severe
40 permanent cognitive impairment of the insured, or (E) a medically
41 determinable condition that has resulted in the insured being
42 considered a chronically ill individual for the purposes of Section
43 7702B and Section 101(g) of the Internal Revenue Code of 1986, or any
44 subsequent corresponding internal revenue code of the United States,
45 as amended from time to time. As used in this subdivision, "activity of
46 daily living" means bathing, continence, dressing, eating, toileting or
47 transferring.

48 (b) [On and after October 1, 1990, any] Any life insurance company
49 or fraternal [benefits] benefit society doing business in this state may
50 issue accelerated benefits life insurance policies, as described in this
51 section, and certificates, riders or endorsements to existing life
52 insurance policies that provide accelerated benefits, as described in
53 this section.

54 (c) An accelerated benefits life insurance policy shall not include a
55 policy providing for disability income protection coverage or long-
56 term care coverage, as defined in sections 38a-501 and 38a-528.

57 (d) (1) [Death benefits may not be reduced] No life insurance
58 company or fraternal benefit society may reduce death benefits more
59 than the amount of the accelerated benefits paid plus any applicable
60 actuarial discount appropriate to the policy design for policies without
61 additional premium payments. When an accelerated benefit is paid,
62 the amount paid may be considered as (A) a pro rata reduction in cash
63 value or death benefits, or both, or (B) a lien against the death benefit
64 of the contract and the access to the cash value shall be restricted to
65 any excess of the cash value over the sum of other outstanding loans
66 and the lien.

67 (2) The accidental death benefit, if any, in the policy shall not be
68 affected by the payment of the accelerated benefit.

69 (e) [All accelerated benefits] Each life insurance company or
70 fraternal benefit society that issues accelerated benefits life insurance
71 policies shall comply with the following disclosure requirements for
72 such policies:

73 (1) [The face of every accelerated benefits policy shall contain]
74 Inclusion on the face of each such policy of: (A) A description of
75 coverage [which] that uses the terminology "accelerated", and (B) the
76 following statement: "Benefits as specified under this policy will be
77 reduced upon receipt of an accelerated benefit.".

78 (2) Disclosure, [is required,] at the time of application and at the

79 time the accelerated benefits payment request is submitted, of the
80 potential tax implications of receiving [this] the accelerated benefits
81 payout. The disclosure statement shall indicate that the receipt of
82 accelerated benefits may be taxable and that the insured should seek
83 assistance from their personal tax advisor. Such disclosure shall be
84 prominently displayed on the first page of the policy.

85 (3) [Prior] Provision to the applicant, prior to or concurrent with the
86 application, [the applicant shall be given] of a written disclosure
87 including, but not limited to, a brief description of the accelerated
88 benefit, the effect of the payment of an accelerated benefit on the
89 policy's cash value, death benefit, premium, policy loans and policy
90 liens, and definitions of the conditions or occurrences triggering
91 payment of the accelerated benefits. In the event of direct mail
92 solicitation, the disclosure shall be [made] provided upon acceptance
93 of the application.

94 (4) [The insurer shall disclose] Disclosure by such insurance
95 company in its solicitation of any separate identifiable premium for the
96 accelerated benefit. Those [insurers] insurance companies indicating
97 that this accelerated benefit is offered without additional premium
98 shall furnish a written explanation to the Insurance Commissioner
99 when filing the product.

100 (5) [Prior] Provision to the applicant, prior to or concurrent with the
101 request for accelerated death benefits, [the applicant shall be given] of
102 an illustration demonstrating the effect of the payment of an
103 accelerated benefit on the policy's cash value, death benefit, premium,
104 policy loans and policy liens.

105 (6) Inclusion, in any life insurance policy or any certificate, rider or
106 endorsement thereto, that provides accelerated benefits pursuant to
107 the occurrence of a qualifying event, as set forth in subparagraph (C),
108 (D) or (E) of subdivision (3) of subsection (a) of this section, of the
109 following statement printed in a conspicuous and readily discernible
110 manner: "This policy is not a long-term care policy as defined in

111 sections 38a-501 and 38a-528 of the Connecticut General Statutes."

112 (f) [The insurer] Each life insurance company that issues an
113 accelerated benefits life insurance policy shall file with the Insurance
114 Department the information concerning the manner by which the
115 actuarial discount and mortality charge, if any, is calculated for the
116 accelerated benefit. The commissioner, if he or she determines that
117 such discount or mortality charge is excessive, shall hold a hearing to
118 determine such reasonable charges.

119 [(g) Any life insurance policy or any certificate, rider or
120 endorsement thereto, which provides accelerated benefits pursuant to
121 the occurrence of a qualifying event, as defined in subparagraph (C) of
122 subdivision (3) of subsection (a) of this section, shall contain the
123 following statement printed in a conspicuous and readily discernible
124 manner: "This policy is not a long-term care policy as defined in
125 sections 38a-501 and 38a-528 of the Connecticut General Statutes."]

126 [(h)] (g) The Insurance Commissioner may adopt, in accordance
127 with chapter 54, such regulations as the commissioner deems
128 necessary for the purpose of this section, including the medically
129 determinable conditions that are considered to be qualifying events as
130 set forth in subdivision (3) of subsection (a) of this section, and the
131 authority to establish the minimum or maximum benefit, if any,
132 payable under an accelerated benefit policy. Prior to the effective date
133 of any such regulations, any such policy may be filed with the
134 commissioner and, at the commissioner's discretion, may be
135 approved."

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2015	38a-457